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DELTEC

INTERNATIONAL LIMITED

ANNUAL REPORT 1969

DELTEC INTERNATIONAL LIMITED
ANNUAL REPORT 1969

Deltec House, Cumberland and Marlborough Streets

P.M.B. 29, Nassau, Bahamas

CONTENTS

TRANSFER AGENTS AND REGISTRARS

Transfer Agent:	The Chase Manhattan Bank N. A. New York, New York
Branch Transfer Agent:	The First National Bank of Chicago Chicago, Illinois
Registrar:	Irving Trust Company New York, New York
Branch Registrar:	The Northern Trust Company Chicago, Illinois

HIGHLIGHTS

	September 30	
	1969	1968
	(Thousands of Dollars)	
Revenue		
Industrial	$ 363,802	$ 364,284
Financial	13,115	11,122
Net Income—Industrial and Financial Combined		
Income before extraordinary credits	4,923	4,029
Extraordinary credits	895	1,432
Net income for year	5,818	5,461
Shareholders' Equity	86,698	80,897
Per Share		
Net Income—Industrial and Financial Combined		
Income before extraordinary credits	.96	.82
Extraordinary credits	.17	.28
Net income for year	1.13	1.10
Shareholders' Equity	16.79	15.87
Number of Common and Common Equivalent Shares	5,163,109	5,098,138
Number of shareholders at end of year	9,255	12,221
Number of employees at end of year	31,554	27,571

Dollar amounts throughout this report are expressed in U.S. currency.

DIRECTORS

A. THOMAS TAYLOR
Chairman of the Board

CLARENCE DAUPHINOT
President

DAVID BEATY III
Executive Vice President

A. OAKLEY BROOKS
Wood, Struthers & Winthrop, Inc.

PETER C. A. CARPENTER
J. Henry Schroder Banking Corporation

SIR RUPERT CLARKE
King Ranch (Aust.) Pty. Ltd., Australia

LEROY G. DENMAN, JR.
Denman, Franklin & Denman
San Antonio, Texas

LOWELL S. DILLINGHAM
Dillingham Corp., Honolulu

HERNÁN ECHAVARRÍA O.
Azulejos Corona Ltda., Colombia

FRANCIS L. HERBERT
Executive Vice President

ROBERT J. KLEBERG, JR.
King Ranch, Inc.

ADALBERT KRIEGER VASENA
Economist, Argentina

AGUSTÍN LEGORRETA
Banco Nacional de México S.A.

GUSTAVE L. LEVY
Goldman, Sachs & Co.

SALIM L. LEWIS
Bear, Stearns & Co.

A. J. MERSON
Executive Vice President

WALTHER MOREIRA SALLES
Banker, Brazil

JULIO E. NÚÑEZ
Executive Vice President

WILLIAM WOOD PRINCE
F. H. Prince & Co.

JOSEPH E. RICH
Morton-Norwich Products, Inc.

VINCENT A. RODRIGUEZ
Sullivan & Cromwell, New York

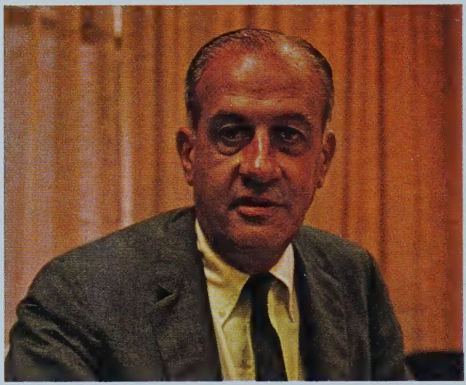
JOSEPH P. SPANG, JR.
Gillette Park, Massachusetts

MILTON STEINBACH
Wertheim & Co.

GUSTAVO J. VOLLMER
Central El Palmar S.A., Venezuela

Messrs. Levy, Taylor and Spang

Mr. Legorreta



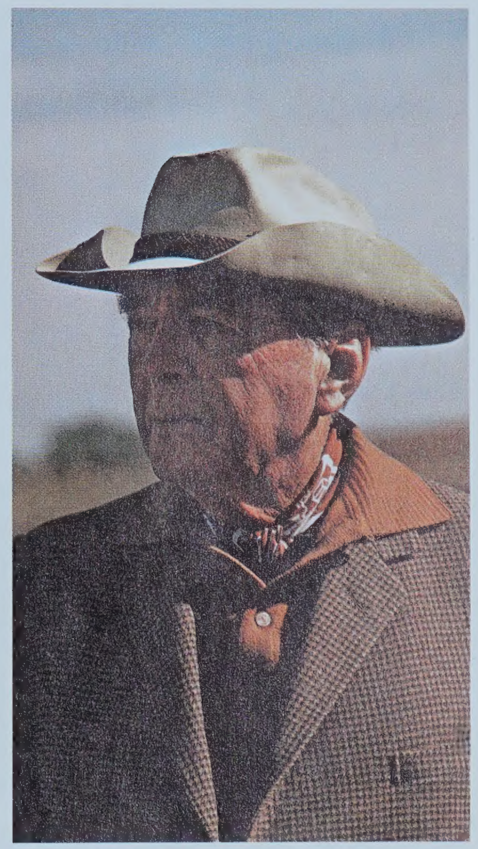
Mr. Brooks

Messrs. Steinbach and Lewis

Sir Rupert Clarke

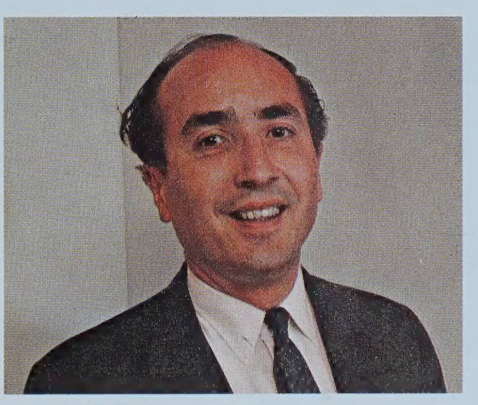
Mr. Dillingham

Messrs. Denman, Merson, Prince and Herbert



Mr. Kleberg

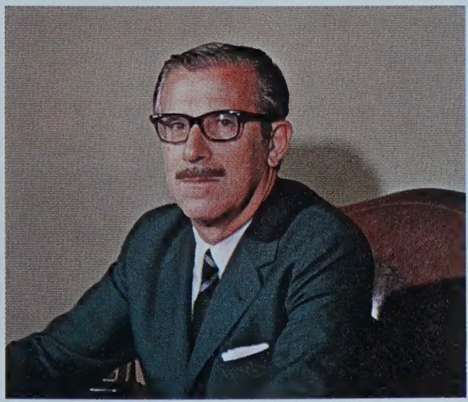
Mr. Moreira Salles



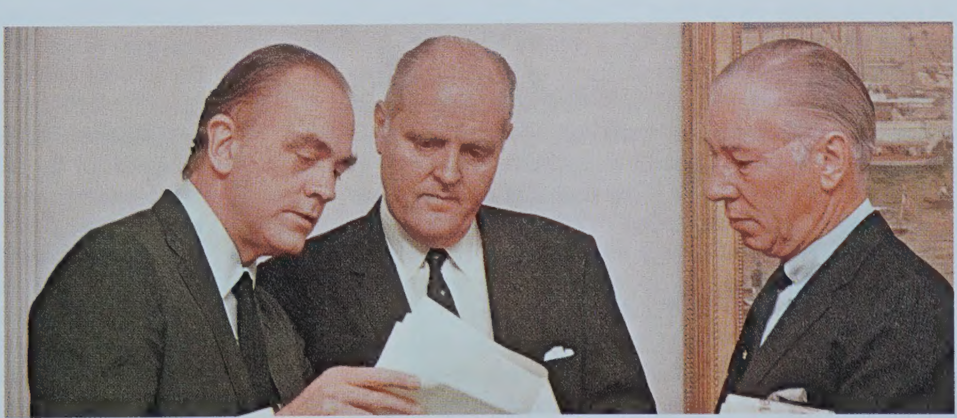
Mr. Núñez

Messrs. Echavarría and Rodriguez

Mr. Rich



Dr. Krieger Vasena



Messrs. Beaty, Vollmer, and Carpenter

TO OUR SHAREHOLDERS

Mr. A. Thomas Taylor, Chairman, and Mr. Clarence Dauphinot, President.

The dominant event in the life of your company was the transfer to it last March of substantially all the assets and business of IPL inc. and those of Deltec Panamerica S. A. It thus became the vehicle for the combination and continuation of those businesses.

Since IPL was basically engaged in the food business on a world-wide scale and Deltec Panamerica was a fast growing, geographically diversified investment banking organization, the combination of the two has created a company which we believe to be unique in several ways and without doubt is one of the world's few truly multinational companies—multinational in operations, management, personnel and ownership. In fact there are more than 30 nationalities represented among the employees of the Company.

We look at Deltec International as a partnership between world-wide food marketing and international investment and merchant banking. Marketing activities of this scope entail financial operations of many types in a variety of currencies. Our banking activities are conducted by an experienced organization with an extensive network of offices and banking connections. It is in a position to provide facilities for the expansion and development of the food business not only in our traditional markets but also in those other areas where growing population and rising standards of living present ever increasing opportunities. Additionally, and of equal significance to the Company, is the increasing need for capital in the developing areas of the world for industrial and other purposes. Our investment banking operation plays a major role in this field and will continue to do so on an increasing scale. In short, we see in our Company a partnership for multinational growth.

Consolidated earnings of our first year of operations, which ended September 30, 1969, were $5,818,000, or $1.13 per share. This compares with $5,461,000, or $1.10 per share on a pooling-of-interests basis for the previous fiscal year.

A major factor in consolidated earnings has been the expansion of business in the more sophisticated processed meat products which are marketed primarily in the United States and in whose development our research has played an important role. We have been engaged for several years in a program of converting our principal meat operations to this type of product because of its more attractive profit margins. We have made great progress in this direction and foresee the time when our meat operations will consist almost exclusively of this type of business.

Most of this expansion to date has been in Argentina under Government encouragement in the form of an exchange differential in favor of these processed products. However, this differential which formerly was at least 18% has been narrowed through increases in the effective exchange rate applicable to other less industrialized meat products. We have made it clear to the Argentine

Government that the future of this line of business in Argentina depends upon the establishment of an adequate rate of exchange for exports of these products and this matter will be pursued until a satisfactory solution is achieved.

Argentine meat operations were profitable despite the adverse factors mentioned above. Conditions in the sugar industry in Argentina brightened considerably, which was reflected in improved earnings of our sugar business in that country and the trend continues to be upward.

Our beef and pork activities in Australia also made significant contributions to consolidated results. Record earnings were achieved in that country, where abnormally heavy marketing of livestock was precipitated by a prolonged drought. This is expected to result in a somewhat reduced supply of cattle in Australia in the next year or two. Earnings in New Zealand were also good.

Our financial division had a profitable year in the face of exceptionally high interest rates in the international money market, associated with limited availability of funds. These conditions created a squeeze which reduced the rate of return from an increased volume of lending activities.

While predictions in this area are hazardous, there is educated opinion to the effect that interest rates will ease in the first half of 1970 if not before. This would create improved conditions for our banking business.

Looking to the future, we have profound confidence in the basic structure of our business and in the people who constitute our organization.

There is a parallel in operating structure between the food segment and the financial segment of our Company. The major marketing effort in both fields is concentrated in consuming and capital areas in which there is a basic demand for what we have to offer. In most instances our products and our securities have been produced or generated by our facilities in some other part of the world. Those facilities are principally located in areas where the economics of production and the demand for credit are such as to offer continuing prospects for profitable international business.

Years of experience in the international field have taught us that few patterns remain static and that changes may be frequent. Only an alert, resourceful and flexible organization, sensitive to change and quick to adapt to new conditions, can expect to succeed. We feel that Deltec International is equipped to face this challenge with assurance. In reviewing operations on the pages which follow, we shall seek to acquaint you with some of the people who manage the Company's business and are responsible for its progress in many widely-separated parts of the world.

During the past six months your Board of Directors took action to add two distinguished new members to the Board, namely, Mr. Robert J. Kleberg, President of King Ranch, Inc. and Dr. Adalbert Krieger Vasena who until recently was Minister of Economy of Argentina.

One of the matters to be voted on by shareholders at our forthcoming annual meeting is a Management Incentive Plan providing for limited participation of key personnel in the Company's consolidated earnings. In the interest of the Company and its shareholders we urge a favorable vote on this proposal, details of which are contained in the proxy statement being mailed to you separately.

Plans for the future include a number of major projects now under study, many of them involving possible variations or extensions of our present lines of business. Among these are plans for the further development of our food service activities, particularly in the United States and the United Kingdom, where programs along this line are already being initiated. Expansion of our food service activities is a step toward a major objective of our industrial division; namely, to tailor our products and services to the precise needs of our customers.

Financing the development program of the Company's Industrial Division will require a substantial outlay of funds, some of which must come from sources other than earnings and depreciation.

The Company continues to study the refunding of the bridge loan of $15 million negotiated in March, 1969. While this has been deferred due to conditions in the international money market, it remains the Company's objective to accomplish this within the next twelve months.

Careful study of our equity position in the many countries in which we do business has led us to the conclusion that under current world conditions some modification is desirable. We are convinced that the most advantageous formula for the future is that of joint equity participation with local capital. While many of our ventures are in fact partnerships between local interests and ourselves, it is our intention as opportunity permits to extend this pattern much more broadly both to our existing enterprises and to new ventures as we develop them.

We look ahead with enthusiasm. We are convinced that through careful formulation and disciplined implementation of sound objectives and the prudent use of the reservoir of talent within our organization, we can ultimately fulfill the exciting potential that this Company possesses for earnings and for growth.

A. Thomas Taylor

Chairman

Clarence Dauphinot Jr.

President *December 9, 1969*

DELTEC INTERNATIONAL LIMITED
AN OVERALL VIEW

Our Company, operating largely through subsidiaries and affiliates, is engaged in two broad fields of activity, one financial and the other industrial. In the financial area we are active in investment banking, making loans to enterprises and governments, particularly in Latin America, and selling the resulting debt securities in Europe and North America, as well as in Latin America. These loans are for the most part, made in US dollars, European convertible currencies and Mexican pesos and are short term to medium term. Our Company also trades in securities for its own account, manages securities portfolios and investment companies and engages in securities brokerage and Eurobond underwriting both in Europe and Latin America.

The corporate headquarters of Deltec International are located in Nassau, Bahamas, which is also the home of its principal banking subsidiary, The Deltec Banking Corporation Limited. Our investment banking operations are also conducted through offices located in Bogota, Buenos Aires, Caracas, Lausanne, Lima, London, Madrid, Mexico City, New York, Paris, Rio de Janeiro, Santiago de Chile, São Paulo and Toronto.

The growth of our investment banking business has been rapid and, allowing for some year to year fluctuation, has been fairly consistent. In 1969, a year which, as noted elsewhere, was adversely affected by extraordinary high interest rates in the international market, the volume of hard currency loans to Latin America was $143 million. The chart on the opposite page illustrates the recent growth of this phase of our business.

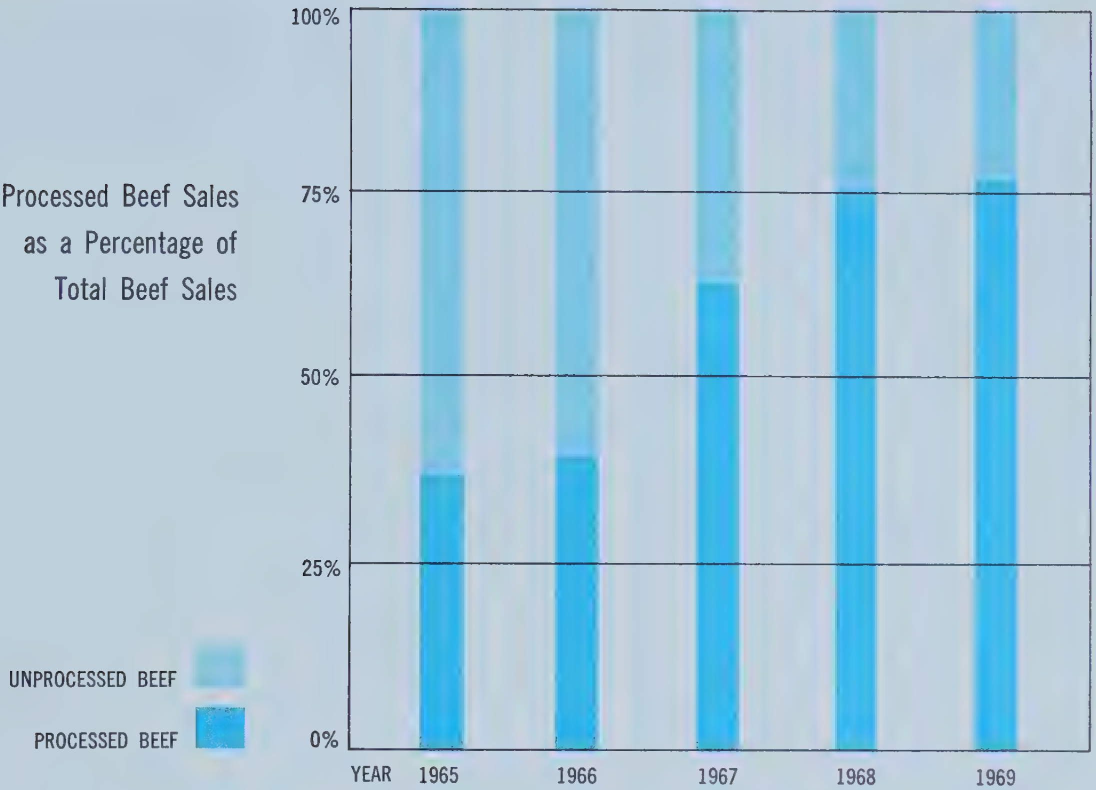
On the industrial side we are a multinational marketing, food processing and cattle ranching organization with primary production facilities in Argentina, Brazil, Australia and New Zealand. Although our principal markets are North America, the United Kingdom and Continental Europe, our products are distributed either through our own sales facilities or through agents in more than one hundred countries. The Company owns or is licensed to use the trademark "Armour" on food products throughout the world, except in the U.S.A. and owns the trademark "Swift" in those countries where its major production facilities are located.

Although a portion of the Company's production is marketed in the respective countries of origin, most of it is shipped internationally. While in some of our operations we also process sheep, lamb and hogs, beef in various forms constitutes the largest percentage of our total volume. Since our major processing facilities are situated in areas which produce a surplus of beef normally available at reasonable cost, we concentrate on markets in beef deficit areas where standards of living are sufficiently high to create a demand for quality product. As indicated in the preceding section of this report, our industrial operations have been undergoing an evolution initiated several years ago. This is the result of an intensive program of departure from that type of product traditionally associated with the meat packing industry, which was bought and sold as a commodity. We are shifting our emphasis to branded processed items, many of which are of the advanced and sophisticated type in which our Company is leading the rest of the industry. Our progress in this direction over the past five years is shown in the accompanying chart.

In addition to marketing facilities within the countries of production, sales offices of the industrial division are situated in a number of geographically diversified locations. Headquarters of the industrial division are maintained at Chicago, Illinois which is also the home of the marketing organization for the USA. Marketing operations are discussed in greater detail in the following section of this report.

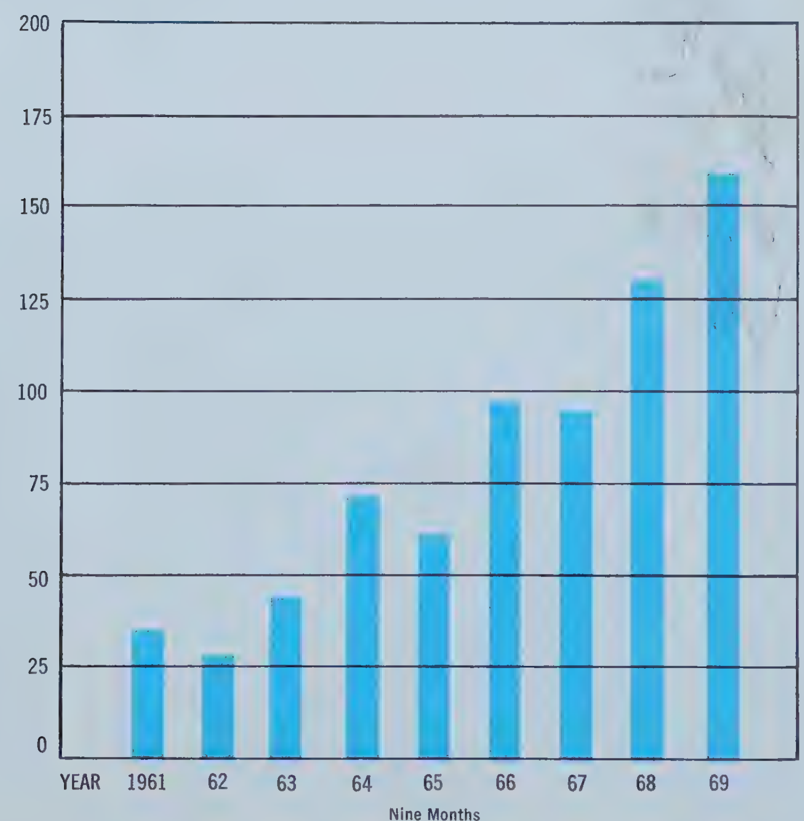
Deltec International is participating in the growth of the livestock industries in Argentina, Australia and Brazil through its interests in ranching properties, and in cattle herds numbering about 280,000 head. In Argentina these interests consist of minority equities in three ranching companies whose operations are largely in the northern part of that country. Deltec is active in the management of two of these companies. In Australia and Brazil our Company manages ranching ventures which are conducted in partnership with King Ranch of Texas. All of these operations did well in 1969 and their future prospects are favorable.

Processed Beef Sales as a Percentage of Total Beef Sales



Hard Currency Loans

IN MILLIONS OF U.S. DOLLARS



MARKETING

Dr. Eugene Birmingham, Director of Research and Development, Mr. R. Craig Campbell and Mr. William E. Hagerup, President and Vice President, respectively, of the North American Foods Division, inspecting product in the Company's test kitchen in Chicago.

Deltec's principal activity in North America and Europe is marketing. With respect to the Industrial Division this means distributing processed food products manufactured in another part of the world, and as applied to the Financial Division, marketing consists of selling negotiable instruments evidencing Latin American loans. While the United Kingdom has, until recently, been the Company's principal market for meat products, it has recently yielded that position to the United States, largely as the result of rapid expansion of our business in frozen cooked beef, for which the United States is by far the leading customer. Continental Europe also has been and continues to be an important market.

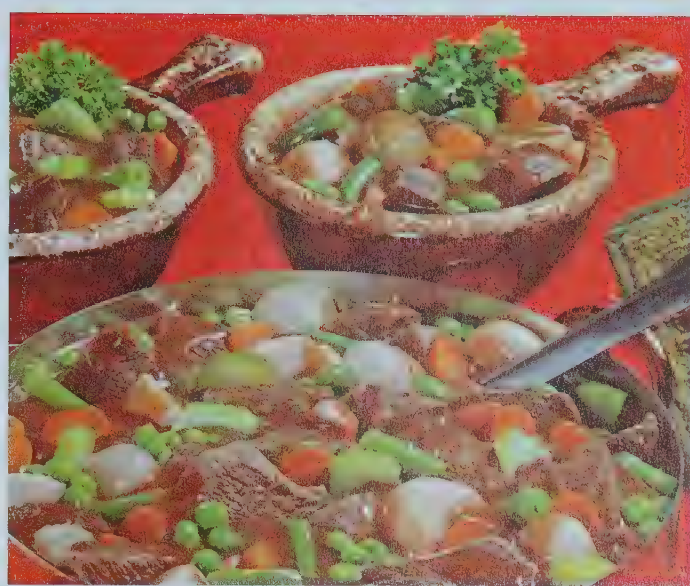
In addition to domestic distribution facilities maintained by the Company in those countries which are major production areas, sales offices of our Industrial Division are located in a number of key marketing regions. In the United States, there are offices in Chicago, Illinois, Valley Stream, New York, and San Mateo, California. Elsewhere, there are offices in Antwerp, Barbados, Barcelona, Cape Town, Hamburg and London.

NORTH AMERICA

Industrial Activities

The sale of the food products of the Company in the United States is the function of the North American Foods Division. Product lines consist of frozen cooked meats, canned meats, fresh frozen meats, and by-products all emanating from the Company's plants in South America and Australasia. Many of these products bear the Company's "Kent" brand while others are marketed through distributors under the distributors' label. Sales in 1969 were almost $95 million.

Recent developments include the initiation of several programs for expanding the sale of special products to the processing, food service and canned meats specialties trades. The total food service industry in the United States has grown rapidly in recent years and now amounts to nearly $50 billion in annual sales, of which approximately 20% consists of meat or meat-based products. This offers the North American Foods Division a broad opportunity for the development and marketing of products designed for use in fast-feeding restaurant chains and institutions such as large industrial plants, universities and government installations feeding large numbers of employees.



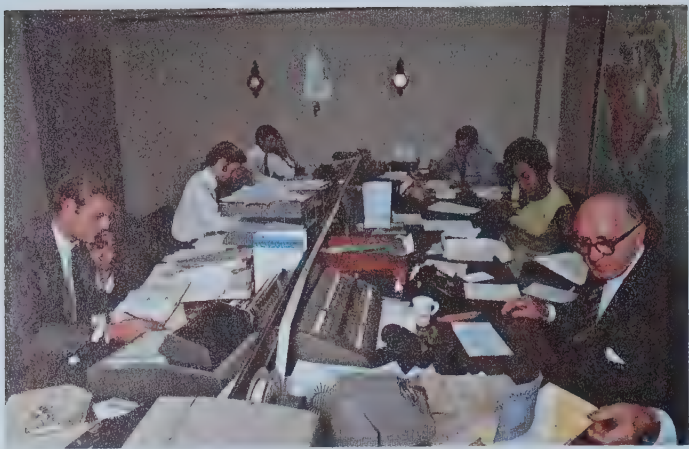
Frozen cooked tubed beef and one of its uses.

Canned meat specialties embrace a wide category of products such as corned beef hash, meat balls, luncheon meats and luncheon meat loaf. Historically our Company has supplied manufacturers in the U.S.A. with ingredients for products such as these. We are now producing the finished products in our South American plants and offering them to our North American distributors under their labels and to many new customers under our own "Kent" brand.

Our traditional trade with meat processors has been revolutionized in the past several years. In this phase of our activities we are concentrating heavily upon our recently developed line of frozen cooked items, sales of which have increased dramatically.

These expanded activities require that an organization of sales and marketing specialists be structured to compete successfully in these attractive but highly competitive new businesses. Three distinct sales forces and networks of sales brokers are being established to bring the new products to their respective trades.

Frozen cooked beef round and several of its uses.



The trading room at Deltec Securities Corporation, New York. In right foreground is Mr. Stanley Roggenburg, Chairman of the Board and President of that subsidiary.

Financial management group in Canada. From left: Messrs. A. G. S. Griffin and Donald C. Meek of Triarch Corporation Limited, and Alden White and C. G. Page of Elliot and Page Limited, a subsidiary of Triarch.

It is relevant to our U.S.A. business that there is continuing pressure on Congress for further quota restrictions on meat imports into the U.S.A,, notwithstanding the ever increasing prices of food. As protectionism appears to attract more members of Congress, consumer protest has begun to gain momentum. It is important to your Company, as it is to consumers in the U.S.A. and to the friendly nations which contribute to its meat supply, that no greater restrictions be imposed upon imports of meat.

We also look forward to rapid development of our trade in frozen cooked beef in Canada, where Government approval has recently been obtained for importation of this product line from Argentina, thus opening a new market of appreciable dimensions. As a major supplier to the meat processing trade, the Company's Canadian food subsidiary, International Packers Co. Limited, anticipates a year of accelerated participation in the fast growing convenience food field in that country.

Mr. J. Robert Smith and Mr. Herbert Lavelle, President and Vice President, respectively, of International Packers Co. Limited, Toronto.

Financial Activities

In the United States, Deltec Securities Corporation is involved in placing Deltec generated loans, trading securities for non-U.S. clients, and providing ancillary services for other Deltec group companies. This includes serving as a clearing agent for Eurodollar securities trades and gathering and distributing information to other group companies on financial and market conditions. In addition, Deltec Securities trades for its own account in certain highly specialized markets such as dollar bonds of Latin American Government entities. Placements of Deltec generated paper in the United States aggregated $58 million in 1969, or almost double the volume of the year before. This increase can be attributed to an expanding clientele and a greater acceptance of Latin American obligations by United States investors.

Its network of affiliates in Latin American financial centers places Deltec Securities in a unique position to assist U.S. investors interested in Latin America in finding local partners, issuing securities in Latin America, and arranging other financing in that area.

Mr. Hansel H. Holcomb, Managing Director, industrial subsidiaries in the United Kingdom.

Mrs. Ada Bush of London test kitchen staff and Mr. A. W. D. Luddington, Director, International Packers London Limited, inspecting food service products.

Triarch Corporation Limited, a 50.4% owned Canadian subsidiary of Deltec International with headquarters in Toronto, provides investment banking and financial advisory services on both a domestic and international scale. Such services include assistance with mergers and acquisitions, the private placement of debt and equity financing and investment counselling services for institutions, pension funds and substantial individual investors. In addition, Triarch provides investment analyses and valuations and is responsible for the management and administration of Toronto and London Investment Company Ltd., a publicly owned investment company, and a mutual fund known as First Equity Growth Fund Limited. Triarch also operates to a growing extent in the field of short and medium term financing for Canadian enterprises.

The trading room of Deltec Anval, London.

EUROPE

In the area of marketing, Europe is of fundamental importance to Deltec International. During fiscal 1969, 25 percent of the total sales of the Industrial Division, and 48 percent of the sales of Latin American hard-currency notes of the Financial Division, were effected in the United Kingdom and Continental Europe.

Deltec International views Europe as an area of great opportunity for the future, both in the industrial and financial divisions. We are convinced that its marketing orientation will place our Company in a position to take advantage of developing trends in both types of markets.

Industrial Activities

The past year was one of considerable progress in revamping the line of food products offered by Deltec International in Europe with emphasis on the more highly processed products.

"Tenda-Wrap", the Deltec International trade name for vacuum-wrapped chilled beef cuts, has already attained a dominant place in the U.K. market, and is being introduced on the Continent. The vital importance to our Company of having already moved into this type of product was underscored recently when a complete ban on "bone-in" beef from certain countries went into effect in the U.K. (October 1, 1969), eliminating Britain as a market for carcass beef from Argentina, among other suppliers.

Good progress is also being made in widening the market for frozen cooked meats from the Company's plants in South America. In this process of developing more sophisticated product lines, market research in the consuming countries is closely integrated with product research and development at the plants, always with the objective of anticipating market trends.

Similarly good progress is being made in developing our participation in the food service business in the U.K. A program has been initiated for the establishment of food service centers, with processing, storage and distribution facilities, in a number of the major urban centers of Britain, the first center having commenced full food service operations in Brighton in May 1969.

The canning plant at Worcester, England, has increased both in sales and profits. With increased production capacity, it is in a position to furnish a range of high quality convenience canned foods to the Continental markets as well as to Britain.

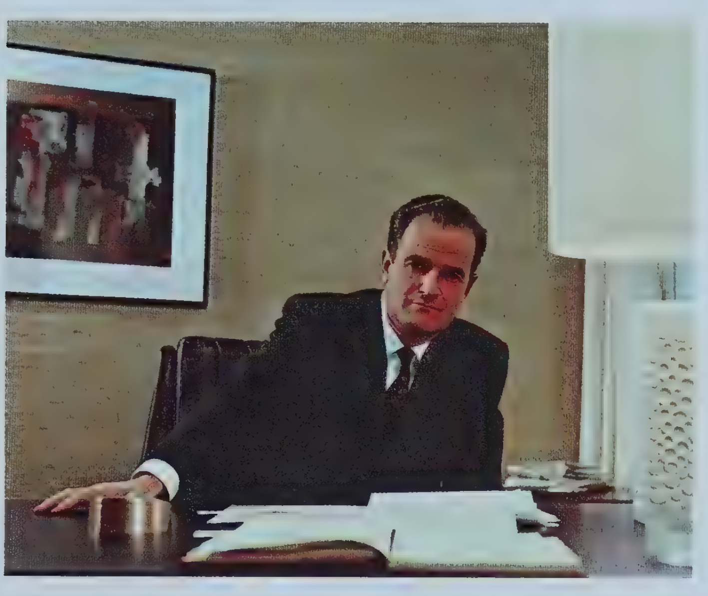
On the Continent, 1969 has been a year of consolidation. The activities programmed for expansion in the coming year include food service in Western Europe, as well as trading in food products with Eastern Europe, which is demonstrating increasing interest in developing relationships. The latter will in all probability lead the way to the development of a financial business as well with that region.

During the current year an extensive study is to be made of the possibility of entering the growing food service field in various national and regional markets on the Continent of Europe. It is the aim of Deltec International to establish mutually advantageous partnership relationships with local groups in Europe in the field of food service, to which our Company can contribute considerable technical know-how. It is expected that the financial division will be of great help in this analysis and in the implementation of this policy.

Financial Activities

The distribution of Latin American hard-currency obligations generated by the Deltec offices in Latin America continues to be the most vital function of the Financial Division in Europe, in terms of contribution to overall profit. Sales in which Deltec acted as principal during the 1969 fiscal year were \$77.3 million compared to \$56.8 million in 1968.

This sales result was achieved in the face of a sharp upward trend in interest rates which became especially pronounced in the European market in the last six months. The normal lag in adjustment of Latin American borrowing rates to the abrupt rise in interest rates in the Eurocurrency market had a necessarily dampening effect on sales of Latin American paper in the last months of our fiscal year. However, we are confident that our efforts to create in the European financial community recognition of the high quality of the debt securities being generated by Deltec in Latin America and elsewhere are being well received and that continued imaginative efforts will bring rewarding results.



Mario E. Haller, Director, Deltec Anval S.A., Lausanne.

Isaac Zonana, Managing Director, Deltec Anval S.A., Lausanne.

Progress has also been made in buying Latin American paper being offered in Europe by exporters or their representatives. This area, we believe, offers interesting possibilities for the future.

Deltec has consistently increased its participation over the years in the large and growing Eurobond market. During the last year, The Deltec Banking Corporation Limited distributed Eurobonds aggregating $17.5 million as an underwriter in 70 offerings and a selling group member in most of those offerings and in 6 additional offerings. Deltec Trading Company Limited, a new subsidiary which took over Eurobond Trading activity from Deltec Banking early in the year, has become recognized as one of the most active houses in this field. It has maintained its standing despite the very trying conditions occasioned by the decline in the New York stock market and the universal pressure on interest rates. Although its earnings have not been satisfactory and the operation is under close review, we are convinced that there is an important opportunity for future profits in this activity.

In July, the Eurobond operation was switched over to computer control, using the IBM 360/30 equipment also used by the Industrial Division in London. When completed, the changeover is expected to reduce clerical personnel requirements, and hence processing costs, very substantially, and also to provide a much more efficient service to our growing clientele.

The participation of Deltec in the European money market is being expanded. A department based in Lausanne has been developed specifically to assist Deltec Banking Corporation and its clients in foreign exchange trading, in dealing in time deposits in the leading currencies, and in currency "swaps". This department furnishes up-to-the-minute reports on these markets to all Deltec financial offices, which have proven most valuable to them in the negotiation of loans and in the evaluation of other financial operations.

Our offices in Europe regularly disseminate to the European financial community pertinent current information concerning developments in the various countries of Latin America. Such information is obtained on a regular basis from our Latin American offices. The financial community recognizes the value of this material, which often provides a perspective different from that afforded by the public press. There is a reciprocal flow of information to our Latin American offices which enables them to report to their local communities upon developments and trends in Europe. These exchanges are highly useful and much appreciated by our clientele on both sides of the Atlantic.

DELTEC IN AUSTRALIA AND NEW ZEALAND

The meat processing plant of Swift Australian Company (Pty.) Limited at Townsville, Queensland, Australia.

The beef business owned and operated by Deltec through its subsidiary Swift Australian Company (Pty.) Limited was established in 1912 and has been an appreciable factor in the livestock industry in Australia with exports currently amounting to about $15 million per year.

In recent years, we have been engaged in an intensive program of plant modernization. Pictured above is the Townsville plant, constructed in 1965, which is one of the most modern meat processing establishments in Australia. In a recent diversification of its product lines at this plant Swift Australian has initiated a business in aged beef cuts and in portion control meat items for domestic sale.

A major expansion into the ranching business was effected in 1962 when Swift Australian acquired, jointly with King Ranch of Texas, the Queensland National Pastoral Company which was at the time a publicly-held concern. This joint venture, which has been highly successful, currently operates more than 5 million acres of land, most of it under long-term leases, and owns approximately 80,000 head of cattle.

Record earnings were achieved in 1969 in the beef processing and ranching operations, enhanced in both cases by the effects of drought conditions which brought livestock to market in greater than normal numbers. While this is likely to be reflected in smaller livestock supplies in the next year or two, the longer term outlook in Australia appears favorable for all branches of the business.

One segment of Deltec's operations which consistently makes a significant contribution to Australian earnings is the Mayfair Group. These companies, acquired in 1963, are engaged in pork operations, specializing in branded products including ham, bacon, sausage and related items. In contrast to our beef operations, which export a substantial percentage of their production, the Mayfair Division is almost entirely a domestic business. The Mayfair brand canned ham, produced in a variety of sizes, enjoys outstanding acceptance by Australian consumers. The Group has also developed a broad range of pre-packaged items and is in process of adding new and larger facilities for bacon production.

One interesting and promising venture of the Mayfair Group in partnership with Australian interests is the development of a disease free herd of hogs to supply a portion of the livestock requirements of the business. This project seeks to eliminate losses through maintenance of the strictest hygienic controls and works for consistent genetical improvement through selection and research. It is believed that the herd developed by this project may now be the world's largest herd of its kind. A second project of the same type is already under way.

The healthy situation and encouraging prospects of Deltec's operations in Australia, as well as the business climate generally in that country, clearly underscore the importance of political and economic stability for which there are no true substitutes. Virtually full employment and a favourable balance of trade support strong optimism for the continued growth of the economy and for the future well being of the Australian people. Deltec welcomes the opportunity to participate in this development and is pursuing further opportunities for diversification

Another area long characterized by political and economic stability is New Zealand where Deltec, through its subsidiary Swift New Zealand Company, owns and operates two plants primarily engaged in processing for export sheep and lamb, along with smaller but steadily increasing quantities of beef. Recent volume in all species has been well over a million animals per year.

Mr. J. Russell, Manager, New South Wales, Mr. James I. Dryburgh, Managing Director of the Southern Division of Swift Australian Company (Pty.) Limited and Mayfair Hams Limited, and Mr. G. D. Balfour, Secretary and Chief Accountant of the Mayfair Group.

Mr. Arthur Bassingthwaighte, Chairman, and Managing Director of the Northern Division, Mr. R. V. Hatten, Marketing Manager, and Mr. J. G. Hemphill, Acting Secretary, Swift Australian Company (Pty.) Limited. Messrs. Bassingthwaighte and Hemphill are also Chairman and Public Officer, respectively, of the Mayfair Group.

New Zealand is the source of most of the mutton and lamb sold by our organization in the United Kingdom which absorbs the major portion of our New Zealand production. During 1969, as in the preceding year, the market in the United Kingdom for this type of product was particularly favorable and this was reflected in excellent earnings by Swift New Zealand. According to present indications the lamb market in the United Kingdom will remain reasonably strong in the near future but perhaps not as buoyant as during the past year.

Beef exports, most of which are shipped to the United States, have also been profitable and the outlook for this branch of the business continues to be good. A major expenditure is planned over the next two years to expand these beef operations.

The by-product business is also important to the New Zealand operations. Wool and skins are exported to the United States and elsewhere.

Our plans for New Zealand continue to emphasize the objective of increased processing of meats intended for those markets willing to meet the higher prices of the more sophisticated products.

Mr. M. A. C. Watson, Commercial Manager and Director, Sir Clifford U. Plimmer, Director, Mr. E. Roberts, Chairman and Managing Director and Mr. I. E. Stock, Secretary and Treasurer, Swift New Zealand Company Limited.

DELTEC IN ARGENTINA

Deltec's top management group in Argentina. From left: Messrs. Enrique Holmberg, General Manager of Ingenio La Esperanza, Jose A. Pavón, Manager—Financial, Industrial Operations, Francois H. Donoso, General Manager of Argentaria S.A., Raford W. Herbert, Managing Director for Argentina, Raul N. Del Sel, Director of Argentaria S.A.

Argentina's efforts during the past three years to stabilize and reinvigorate its economy are beginning to bear fruit. Essentially a rich country, amply endowed with natural and human resources and burdened by few of the real difficulties that confront most of the nations of the continent, Argentina has been beset during the past generation by internal social and political conflicts. The present generation of leaders is making encouraging progress toward the solution of these problems.

INDUSTRIAL ACTIVITIES

Meat and meat products

Compañia Swift de la Plata, Deltec's principal industrial unit in Argentina and the leading company in the country's meat industry, has during the year increased the tempo of its operations, notwithstanding the unusually serious problems which confronted the industry in that country. In the aftermath of the 1967–68 outbreak of hoof and mouth disease, the United Kingdom, traditionally Argentina's main market for meat exports, in 1969 completely banned the importation of "bone-in" meat from that country. This situation adversely affected many enterprises but was successfully overcome by Swift whose operations in 1969 were profitable. That company actually increased its output during the year, processing 825,000 head of cattle compared with 785,000 head during the previous fiscal year.

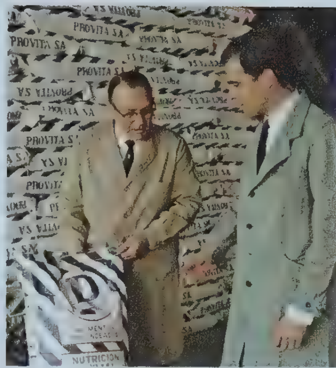
During the past several years, Swift de la Plata has revolutionized its activities through a program built around the concept, new to the local industry, of taking advantage of Argentina's favorable cost structure by developing and processing within the country increasingly sophisticated products, such as vacuum packed (Cry-o-Vac) cuts and frozen cooked beef. Currently, a variety of new products is in process of development. The company has invested in a modernization program the equivalent of roughly $5 million, to equip its plants for the new type of products and to meet the latest requirements of customer countries.

This new approach increases the proportion of Argentine labor content in the final consumer product and opens new markets for the products of the country's land as well as of its technology, enterprise and effort.

In consequence of the modernization program, not only has Swift de la Plata, despite the unfavorable circumstances mentioned above, increased its sales volume in the traditional markets, but the company is also placing increasing emphasis on trade with countries such as Canada, Germany and Japan, which offer excellent prospects for the future.

Argentina continues to enjoy what are probably the most favorable conditions in the world for cattle breeding. Given proper incentives, cattlemen could easily increase the country's total cattle population from the present 52 million head to 70 million head or more. Incentives to increased

Dr. Enrique Canessa, Director of Research and Development, Argentina.



Messrs. D. W. Thayer, President, and E. A. Fay, Vice President, Provita S.A., Argentina.

livestock production are a function of governmental policy and of the market. During the past year the Argentine Government reduced some export taxes and should, for the good of the country's economy, eliminate them completely. As to the market, we believe that world demand for the type of product being developed by Swift de la Plata is such as to accommodate any forseeable quantities of additional supply.

Local distribution

This phase of Swift de la Plata's activities, which is currently not profitable, is in process of reorganization which may include the discontinuance of some of the less profitable product lines.

Poultry and Animal Feeds

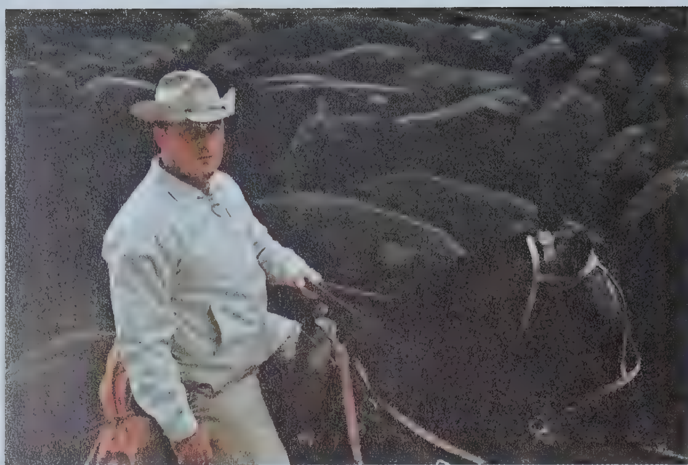
With a view to attaining integrated operations in poultry, Swift has entered into a joint venture with a local cooperative. We regard this association as a step in our long-term program to involve Argentine enterprise and capital in all of our industrial ventures in the country. In conjunction with its poultry business, the Company is also engaged through its subsidiary Provita S.A., in the animal feeds business in Argentina. In addition to poultry feeds, Provita also produces a line of feeds for cattle and hogs.

Sugar

Ingenio La Esperanza S.A. is Argentina's third largest sugar producer, with more than 20,200 acres of irrigated cane fields in the province of Jujuy in the northwestern portion of the country. Deltec had acquired control of the parent company of La Esperanza in 1964 and the balance of the voting shares of such parent were purchased through a tender offer in 1969.

After several years of depressed prices due to over-production of sugar in Argentina, supply and demand have been brought into balance with resulting benefit to the profit picture of La Esperanza in 1969 and earnings are running at an even higher rate during the current year. The Company is thus benefiting from its policy during the past ten years of reinvesting the major portion of its profits in improvements to its factory and cane fields. A step toward the integration of our industrial units in Argentina was taken during the year through the initial distribution of La Esperanza's refined sugar under the brand "Leach's" through the nation-wide sales force of Swift de la Plata.

In pursuance of the important policy objective mentioned previously, sales of La Esperanza's common shares were initiated on the Buenos Aires Stock Exchange under the sponsorship of Argentaria. These shares are currently trading well above the initial offering price and it is anticipated that eventually a major portion of La Esperanza's shares will be in the hands of the Argentine public.



Mr. Charles Schleimer, Vice President of Frigorífico Armour de La Plata S.A. and head cattle buyer in Argentina.

Mechanized harvesting on sugar plantation of La Esperanza, Argentina.

FINANCIAL ACTIVITIES

In Argentaria S.A. de Finanzas, Deltec owns one of the country's principal investment banks, as well as a commercial banking business. Its activities currently consist of arranging short to medium term loans in Argentine currency, placing peso commercial paper in the local market as well as abroad, providing fiduciary and investment advisory services for domestic and foreign clients, trading in securities for its own account, financing Argentine exports and imports, and negotiating external loans on behalf of Deltec Banking to Argentine clients.

Portfolio Management

In the area of portfolio investment, Argentaria purchases securities quoted on the Buenos Aires Stock Exchange, for its own account and for the account of domestic and foreign investment advisory clients. Deltec continues of the view that the Buenos Aires stock market presents exceptional investment opportunities.

Peso Financing

As the country's stabilization program of the past three years has taken effect, internal interest rates followed a declining trend during most of the period, and only recently responded to international monetary conditions. This has enabled Argentaria to increase the volume and extend the term of its lending operations. Total volume of peso loans during the 1969 fiscal year reached the equivalent of $11 million, representing an increase of more than 20% over the previous fiscal year. Of the loans made during the year, more than 20% were for a term in excess of eighteen months.

International Financing

International confidence in Argentina's economy and the stability of its currency was evidenced by the placement abroad, through the Deltec organizations in Europe and the United States, of peso commercial paper aggregating the equivalent of $1.5 million.

During the fiscal year, Argentaria arranged Deltec Banking loans for five clients, for an aggregate amount of $7 million.

DELTEC IN BRAZIL


Providing top management of Deltec's Brazilian activities are from left, David Beaty III, George Patten Shaw and William M. Barnard.


Sales training session being conducted by Mr. E. de Carvalho, Marketing Manager, and Mr. Richard J. Dolan, Vice President of Companhia Swift do Brasil S.A.


Messrs. Frank Dawe, Operating Manager of the Campinas Plant, Reginald Frame, Operations Manager for Brazil, and Francis M. Noone, Manager, Soap and Oils Division.

This dynamic nation, with its 90,000,000 people, burgeoning industries, vast natural resources awaiting development, half the South American continent in area and population, this year made further impressive strides along the road on which it embarked in 1964. With a government that is pragmatic and committed to a development philosophy based on incentives for the private sector, Brazil is in the process of evolving its own solution to the economic problems that have traditionally beset developing countries.

FINANCIAL ACTIVITIES

While Deltec began as Brazil's pioneer investment banking organization in 1946, today all of its financial activities in the country (other than certain portfolio investments) are conducted through Banco de Investimento do Brasil (BIB). Deltec participated in the constitution of BIB in 1967 and subsequently Deltec, International Basic Economy Corporation (IBEC) and Uniao de Bancos Brasileiros (UBB) transferred to BIB control of their respective Brazilian finance and investment advisory companies. These three institutions are now BIB's largest shareholders, each owning about 20% of its capital, while other shareholders include three Brazilian and three foreign groups in addition to 5,000 public shareholders.

Together with its subsidiaries, BIB provides to the Brazilian economy a full range of investment and merchant banking services.

BIB's success is demonstrated by its growth. On September 30, 1969, it had $173,687,000 of financings outstanding and funds under administration, compared to $48,178,000 on September 30, 1968.

Cruzeiro Financing

Financings outstanding at September 30, 1969 were equivalent to $67.6 million compared with $12.4 million at September 30, 1968. These were short to medium term loans to a broad spectrum of clients.

Foreign Currency Financing

BIB acts as agent for The Deltec Banking Corporation Limited in arranging loans to Brazil in the international market. In the 1969 fiscal year these amounted to the equivalent of $49.9 million. In addition, BIB arranges foreign currency loans for its own account and the volume of such operations during the fiscal year amounted to the equivalent of $16 million.

Underwriting

During the year ended September 30, 1969 BIB managed or co-managed 20 underwritings of new issues with an aggregate public offering price equivalent to $28 million, and participated in 5 other offerings.

Brazilian securities markets expanded spectacularly during the year in both volume and price levels, reaching a temporary peak in August when average daily transactions on the Rio de Janeiro and São Paulo Stock Exchanges amounted to the equivalent of $5.2 million

The management of Banco de Investimento do Brasil, S.A., from left, seated: George Patten Shaw, General Manager, Walther Moreira Salles, Chairman, Marcilio Marques Moreira; standing: Roberto K. Bornhausen, Tomas Zinner, Sergio A. Ribeiro, Roberto Teixeira Da Costa, Tomas Saraiva Prizirembel, Roberto Calmon De Barros Barreto.

compared with $752,000 for the year 1968. The composite price index of shares traded on the two exchanges during the year ended August 1969 increased 275% over the previous year.

Under a recent law individuals, and to a lesser extent companies, are permitted to deduct from taxable income amounts invested for at least two years in mutual funds, the portfolio of which consists of new issues of shares of publicly held companies. The demand created by the tax incentive funds played a large part in the movement of the stock markets. But other measures such as reduction of taxes on dividends, tax credits for certain types of investments, other tax amendments permitting companies partly to offset the impact of inflation, and the suspension of tax on the capitalization of earnings as well as a reduction in the rate of inflation, have all contributed.

Fund Management

Combining the twenty years of experience of Deltec and IBEC in this field, BIB manages portfolios aggregating at September 30, 1969 $88.7 million in market value. These portfolios include a balanced fund, Fundo Crescinco, South America's largest mutual fund, with $52.2 million of net assets and 44,598 investors; a growth fund, Condominio Deltec, with $17.2 million of net assets and 13,684 investors; the country's largest tax incentive fund, Funde de Investimento BIB-Crescinco 157, with $18.4 million of net assets and 46,678 investors; and three specialized tax incentive funds with combined net assets of $553,000 and 24 investors.

Distribution and Brokerage

BIB generated investment opportunities, including acceptances, shares and funds, are distributed nationwide by its own sales force, and by an increasing number of the 330 branches and agencies of UBB. This distribution network is the largest in Brazil. A BIB subsidiary commenced general securities brokerage operations in 1968 with seats on the Rio de Janeiro and São Paulo Stock Exchanges.

Northeast Development

Among the tax incentives programs that have achieved most recognition internationally is one which permits companies to invest up to 50% of their tax liability in approved industrial and other development projects in Brazil's Northeast area. For several years BIB has had a department specialized in screening projects and calling these to the attention of investors with available tax funds. During the past year BIB has channeled $4.3 million into 7 projects, for the account of such investors, to a cumulative total of $11.5 million at today's exchange rate, for 25 projects since the beginning of BIB's activity in this area.

Other Activities

In 1968 Deltec acquired from French shareholders the control of Société de Sucreries Brésiliennes, one of Brazil's largest sugar producers. One mill in the State of Rio de Janeiro having been sold to a Brazilian group, the company now remains with three mills in the State of São Paulo together with adjacent cane fields which supply 46% of the mills' requirements.

INDUSTRIAL ACTIVITIES

Deltec's industrial activities in Brazil are highly diversified and serve principally the domestic market.

Beef Operations

Historically the basis of our industrial activities in Brazil, beef today accounts for approximately 40% of total volume of which about half is for export. One of Deltec's three beef processing plants in Brazil, located in the State of São Paulo, has heretofore been primarily engaged in the domestic business which was unprofitable in 1969. This plant is being re-equipped to produce beef primarily for export as do the two plants in the state of Rio Grande do Sul. As in Argentina, these latter plants have recently been modernized to change the product mix to a greater proportion of frozen cooked beef and other specialized products.

We also have a minority interest, acquired through the investment of tax incentive funds, in a new meat processing facility at Recife, in Brazil's Northeast.

We are today the largest exporter of Brazilian beef to world markets. As a whole, beef exports are not yet a major factor in the country's total export picture, but we believe that Brazil, with its immense cattle population (estimated at 80,000,000 head) and vast undeveloped lands potentially useful for grazing, is destined to become an important world supplier of meat proteins.

Ranching Operations

In partnership with King Ranch since 1954, Companhia Swift do Brasil, Deltec's principal industrial subsidiary in the country, owns and operates in the State of São Paulo five highly successful cattle ranches comprising a total of 148,000 acres. In addition it leases and operates fattening ranches in the State of Rio Grande do Sul. In 1968, Frígorifico Armour do Brasil S.A., another Deltec subsidiary, acquired three ranches in the State of São Paulo and one ranch in the State of Minas Gerais. Again in partnership with King Ranch, the Company's Brazilian subsidiaries have purchased initially 180,000 acres in the rain forest 200 miles from Belem at the mouth of the Amazon. This area has climatic conditions and virgin soil ideal for grass farming and the breeding and fattening of cattle. The Company expects to qualify this latter venture as a tax incentive investment and has made the necessary application for this purpose.

The objective of these ventures with King Ranch is to utilize modern ranching, grass management and husbandry techniques to breed, through the introduction of the famous Santa Gertrudis stock, beef animals capable of converting grass into high quality beef more efficiently than the type of steers traditionally used in Brazil.

Grocery Products

Accounting for 60% of our sales volume, the marketing of branded consumer items is the most dynamic and profitable of our industrial activities in Brazil. These items include pork products, sausage, soaps and detergents, canned peas, and vegetable oils under the Company's own labels as well as food and non-food items under the brands of other manufacturers.

Deltec is excellently placed to profit by the country's supermarket revolution. In the past ten years our share of consumer goods sales through supermarkets and self-service outlets has grown considerably and is expected to continue to expand. This volume is supported by a processing and canning plant and a vegetable oil refinery and soap and detergent plant, both in the State of São Paulo, and by pea plantations in Rio Grande do Sul. These facilities, in combination with our countrywide marketing organization of over 500 salesmen, one of Brazil's largest, enable our Swift and Armour brands to account for substantial portions of the country's sales of canned foods, powdered detergent and soap.

Real Estate

Deltec, together with North American, European and Brazilian investors, has for many years had a substantial interest in Companhia City de Desenvolvimento, one of Brazil's leading real estate development organizations. Other Brazilian subsidiaries own additional real estate, the value of which has increased substantially over the years. Studies are underway to determine the most advantageous use or other disposition of these real estate holdings and the manner in which the Company's real estate activities can most profitably be conducted.

DELTEC IN
MEXICO, VENEZUELA, COLOMBIA AND PERU

Banco de la Ciudad de Mexico, S.A. Management Group, from left: Agustin Vega, General Manager, Carlos L. Martinez, General Manager of Arrendadora de Mexico S.A., Rene Bolivar, Manager of Investments and Business Development, Fermin Burzaco, Member of the Stock Exchange of Mexico, Janvier Arrangoiz, Administrative Manager and Lic. Ruben Quiroz, Trust Manager.

DELTEC IN MEXICO

Deltec engages in three distinct financial activities in Mexico. Deltec Banking, through its representative in that country, channels short and medium term hard currency loans to Mexican borrowers. Deltec also manages a trust company in which it owns a minority participation and through which it manages a company engaged in the equipment leasing business.

At September 30, 1969 the aggregate amount of direct loans by Deltec Banking to Mexican borrowers since the commencement of operations in 1961 reached $184.5 million. The aggregate loans disbursed during the fiscal year 1969 amounted to $39 million of which $34 million went to the private sector and the balance to a government bank. This volume was somewhat below that of the previous year because of exceptionally high interest rates in the international market.

Banco de la Ciudad de Mexico, S.A. (BCM) in which Deltec holds a participation, offers a complete range of trust services and is actively engaged in stock market activities. Earnings for 1969 showed improvement over the previous year which was also a profitable one. BCM has announced plans to form, together with Banco Nacional de Mexico, a mutual fund for public distribution within the country and which will invest in Mexican securities. As of this writing, a petition for this purpose is pending with the Mexican authorities and approval is expected shortly. BCM is to act as the management and distribution company for the fund.

In March 1969 Deltec Banking, Provident National Bank, Philadelphia, Pa., and a prominent individual joined in the formation of Arrendadora de Mexico S.A. which is engaged in leasing industrial and commercial equipment. At September 30, 1969 Arrendadora had written leases equivalent in the aggregate to almost $2 million and it is expected that this total will reach $3 million by the end of the current calendar year. According to present indications, Arrendadora will show a modest profit for its first 10 months of operation.

DELTEC IN VENEZUELA

In fiscal 1969 Deltec Venezuela generated for Deltec Banking a record volume in hard currency loans to Venezuela of over $24 million, equivalent to about 40% of the total financings extended by Deltec Banking in Venezuela over the last decade. Medium term credits accounted for over half of these loans.

Locally, Deltec Venezuela managed and jointly underwrote two debenture issues for a total equivalent to approximately $2.8 million. Both issues were oversubscribed by the public. We see considerable local demand for quality debt obligations and are currently negotiating with prime Venezuelan companies for substantial new issues. We believe there is great potential for Deltec Venezuela in the field of underwriting and to this end we have developed effective relations with co-underwriters and securities brokers.

Deltec's Venezuelan real estate operations during the year emphasized completion and delivery of a 30 story office building in Caracas. It is expected that this and other real estate ventures in Venezuela will shortly be sold.

DELTEC IN COLOMBIA

Deltec's business in Colombia has centered on foreign currency loans and money brokerage in the local market. Gross volume of new loans and renewals in hard currencies was equivalent to $4.5 million. Most loans were at medium term. The largest operation was granted to a subsidiary of Bavaria S.A., the biggest industrial complex in Colombia, for a real estate development. Credits were also extended to a gas pipeline in the Caribbean and a sugar and candy manufacturer who is exporting to the U. S. A.

Inversiones Deltec, the Colombian subsidiary, was also active in the local peso brokerage that it has conducted for several years. In this field Deltec acts as agent for private foundations seeking to place funds, and as broker to corporate treasurers who wish to lend their excess liquidity. In response to strong demand for funds predicated upon some illiquidity in the local banks Deltec was able to supply an aggregate volume equivalent to $1.7 million. We see a very interesting opportunity for a domestic acceptance company and have accordingly been holding advanced conversations with Colombian financial institutions with a view to joining with them in such a venture.

Deltec in Venezuela and in Colombia are under the supervision of Francis J. Novitski, left, who is shown with Joaquin de Pombo.

Members of Peruvian management group, from left: Messrs. Ricardo Roca Rey, Manager Santa Magdalena S.A., Claude Ward, Managing Director, Deltec Peru and Jorge E. Graña, Managing Director, Santa Magdalena S.A.

DELTEC IN PERU

Deltec's financial activities in Peru have traditionally consisted of both hard and local currency financing. During the year under review, however, purchases of paper by Deltec Banking were not significant and were confined principally to a previous year's commitment in connection with the financing of the Callejon de Huaylas Road project. On the other hand, local currency loans increased slightly to the equivalent of $2.6 million during the year while proceeds from the sale of local currency bonds were equivalent to $3.6 million, about 22% above the previous year. In addition, we stimulated interest in longer term bonds as evidenced by sales of such bonds during the year, which were approximately 21% higher than 1968. It is encouraging to note that the capacity of Deltec Peru for placement has increased despite the economic difficulties prevailing in the country.

It is generally expected that in the near future the Government will undertake a reform of the commercial banking and credit organizations system. Hopefully, such reform will include a complete "Financiera" law permitting expansion of the scope of activities of Deltec Peru and providing a framework for the development of a healthy and increasingly important domestic capital market.

DELTEC IN THE BAHAMAS

During 1969, Nassau became the headquarters of the Deltec group and the Deltec Building is now housing the central administrative offices of Deltec International as well as of The Deltec Banking Corporation Limited.

DELTEC BANKING

Deltec Banking is the cornerstone of the financial activities of Deltec International. It is engaged primarily in the supplying of short to medium-term hard currency financing, primarily in Latin America but, gradually also in Eastern Europe and the United States. Other activities include trading securities, investment advisory, trust services and international investment banking in general. Headquarters are located in Deltec House, Nassau, Bahamas.

During the year under review, Deltec Banking made loans aggregating a record $153,331,000. This represents an increase of almost 20% over the previous year, bringing the total financing provided since its founding to over $700,000,000. It is interesting to note that substantial loans were made for the first time in the Dominican Republic, Greece, Panama and the United States.

Hard Currency Loans by Recipient Country

	1969	1968
Argentina	$ 4,322,000	$ 51,699,000
Brazil	49,887,000	11,673,000
Colombia	5,079,000	3,446,000
Dominican Republic	3,524,000	....
Kingdom of Greece	7,500,000	....
Mexico	40,059,000	46,120,000
Panama	15,000,000	....
Peru	795,000	3,401,000
United States	3,139,000	....
Venezuela	24,026,000	11,612,000
	$153,331,000	$128,987,000

There is no question that the year under review has not been an auspicious one for international finance. Record interest rate levels in our traditional markets have reduced profit margins, while the cost of carrying the bank's inventory of debt securities has risen substantially, thereby decreasing the traditionally profitable interest differential. Currency uncertainties prevailed throughout the year and it is interesting to note that for the first time loans in other currencies surpassed those in dollars. 39% of the financings made by Deltec Banking were in Deutsche marks, 9% in Swiss francs, 5% in Mexican pesos and 47% in U. S. dollars.

The Operational Supervisory Group of Deltec Banking, from left: Jeffrey Williams, Alfred Jarrett, Joseph G. Cacioppo, who is a Director and Executive Vice President, Percy Hanna, Oswald Nottage, George Bethel, Eric Cooper.

Despite the foregoing, 1969 has been a record year for Deltec Banking in total financings. It is the policy of Deltec to place its loans with institutional investors in the international capital markets through affiliates in the United States and Europe. In 1969, total placements exceeded $160 million of which 48% were made in Europe, 36% in the United States and 16% in the Bahamas and Latin America.

The most encouraging event during the year was the increase of over 4½ times in volume of the financings made in Brazil. This is not only a reflection of the economic possibilities of that country, but more importantly a testimony to the imagination and efforts of our partners Banco do Investimento de Brasil. Of a total of almost $50 million, $17 million represented financings to certain States for the purpose of road construction, $10 million was a loan to the Banco do Brasil in connection with a housing project undertaken by the Ministry of War and the bulk of the balance were loans to investment or commercial banks under Resolution 63.

View of the Treasure Cay development.

Members of the Treasure Cay Limited Executive Group, from left: Messrs. Harry W. Ryder, Joseph G. Cacioppo, President, and Drago Pamucina.

Financings in Venezuela also more than doubled and several important new clients are represented. In Colombia likewise, substantial progress was made. Although volume in Mexico declined slightly, it is encouraging to note that over 80% of total financings were made in the private sector, a substantially greater percentage than the year before.

Regretfully, the loss of our major client in Argentina has not yet been made up, and the level of financings decreased substantially. We are confident, nevertheless, that improving economic conditions and certain organizational changes already effected or contemplated will result in our doing substantially more business in Argentina. Insofar as Peru is concerned, conditions in 1969 have not been propitious for hard currency financing.

DELTEC TRUST

Deltec Trust Company Limited (formerly Deltec Nominees Limited) was incorporated in Nassau, Bahamas in December, 1961 to provide custody services to clients investing in Latin American paper generated by the Deltec Banking Corporation Limited, and to manage investment portfolios on a discretionary basis. Over the years, its activities have expanded and it is now able to offer a full range of trust company services for clients other than citizens or residents of the Sterling Area. Its main objective is the expansion of business in the management of investment portfolios, with strong emphasis on developing new custody accounts, nominee accounts, discretionary accounts and establishing and managing trusts and companies for clients.

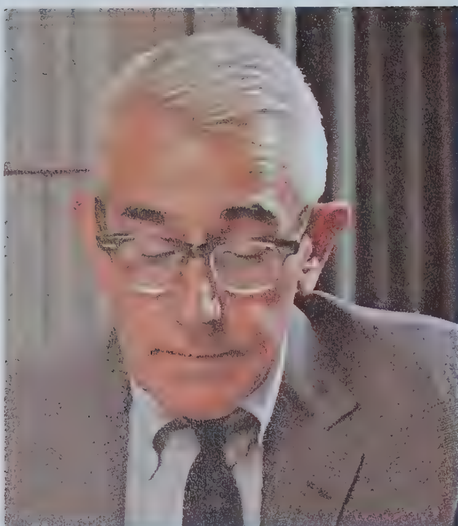
Together with its affiliate, The Deltec Banking Corporation Limited, this company is able to provide its clients with full related banking services.

TREASURE CAY

Deltec is the major shareholder and has management responsibility for Treasure Cay, a land development and resort complex of approximately 1,800 acres, located on a peninsula on Abaco Island, Bahamas with a beach more than four miles long thought by many to be the most beautiful in the Bahamas. In addition, there is a 120-room hotel and villa complex with two swimming pools and six tennis courts, an 18-hole championship golf course, a marina with all services and equipment available, a shopping center, an elementary school, medical facilities, central water and sewage treatment plants, a power station and auxiliary services.

Since April 1968, when Deltec first invested in Treasure Cay Limited, that company has been recapitalized, a sizeable building program and large scale dredging and bulkheading operation has been undertaken and the sales program has been reorganized and revitalized. We believe that Treasure Cay is well on the way to becoming one of the most outstanding second home/resort areas in the Bahamas and the Caribbean.

OFFICERS



Mr. J. P. Joice

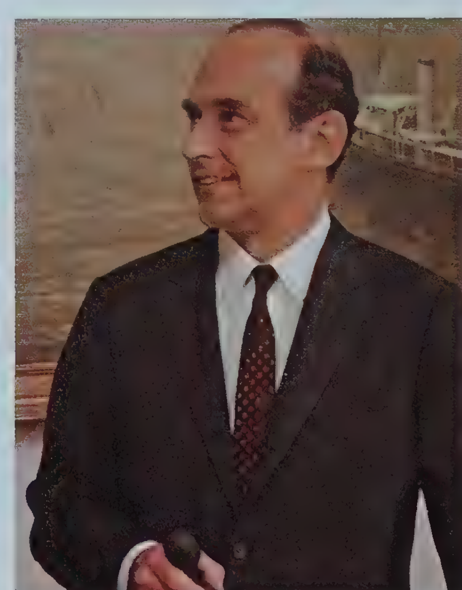
Mr. R. C. Zircher

A. Thomas Taylor
Chairman of the Board
Clarence Dauphinot
President
David Beaty III
Executive Vice President
Francis L. Herbert
Executive Vice President
A. J. Merson
Executive Vice President
Julio E. Núñez
Executive Vice President
M. E. Barnes
Vice President
Joseph G. Cacioppo
Vice President
C. J. Driscoll
Vice President and Secretary
J. P. Joice
Vice President and Controller
Drago Pamucina
Vice President
R. C. Zircher
Vice President
Richard M. Liu
Treasurer
Max A. Stolper
General Counsel for South America
Joseph E. Davis
Assistant Controller
F. O. Newman
Assistant Controller
P. G. Asgeirson
Assistant Treasurer
Robert C. Bickford
Assistant Secretary
H. C. Pohlmann
Assistant Secretary

From left, seated: Messrs. Robert C. Bickford, Drago Pamucina, Joseph G. Cacioppo, A. J. Merson; standing: Richard M. Liu, Roberto J. Trujillo, Joseph E. Davis.

Mr. M. E. Barnes

Mr. C. J. Driscoll



Mr. Max A. Stolper

FINANCIAL COMMENTS

Heavy speculation in gold and the major trading currencies, with its unsettling effect on the principal exchange markets, continued to be an important feature of the international financial scene throughout the period and culuminated in the August devaluation of the French franc, followed shortly thereafter by the revaluation of the Deutsche mark. However, the currencies of those countries where our major operations are located remained relatively stable with the exception of the Brazilian cruzeiro which, in accordance with a policy adopted by the Brazilian Government in 1968, was adjusted in 7 steps from a rate of 3.70 to 4.15 to the U.S. dollar. The expressed purpose of these periodic adjustments is to try and maintain the exchange rate of the cruzeiro more or less in line with internal price levels.

In Argentina, the sliding scale of taxes levied on exports of certain products, although reduced somewhat during the period, continued in effect with detriment to the industry's competitive position in the international markets.

As in prior years, a judgment rate less favorable than the official rate for the cruzeiro was applied to the appropriate Brazilian assets and liabilities in the financial statements which follow. Of the combined exchange loss of $1,194,000 shown in the consolidated statement of income for the year, $952,000 was attributable to the cruzeiro exchange rate adjustment in Brazil.

In this period, the money markets were also seriously disrupted by the credit squeeze which was accentuated by an increasing demand for credit in the face of a policy of continuing monetary restraint maintained by the Federal Reserve Bank of the U.S.A. In consequence, market rates were at record levels. This situation is likely to continue to prevail until the rate of business expansion shows some evidence of slowing down. These record high money rates in the principal financial centers contrasted sharply with the weaker interest rates prevalent in certain countries of Latin America, principally Argentina, Brazil and Mexico. As might be expected, one effect of this was a shortening of the margins available in the international market on placement of loan paper emanating from these countries. On the other hand, this had the effect of holding down total interest costs in the face of increased local borrowings in those countries for industrial and other purposes.

Money market conditions this year have precluded the refinancing on a satisfactory basis of the bridge loan of $15 million maturing on September 18, 1970. However, as mentioned in the Chairman's and President's message to shareholders, it remains the intention of the Company to do this before the end of the next fiscal year.

Bank loans at September 30 attributable to industrial operations show a considerable increase over those a year earlier and reflect for the most part higher investment in inventories and receivables. This increase was brought about by a number of unusual and temporary factors and the current quarter should show marked reductions in these items.

A further factor which has had an important influence on the financial position of the industrial division is the relatively heavy and unavoidable capital expenditures incurred during the period. These were principally in Argentina and Brazil and were made in order to comply with certain new requirements of the various food importing countries applicable to processing facilities and procedures. The total amount so expended in the period was approximately $5,500,000 and it is anticipated that additional expenditures of $3,000,000 will be required for this purpose during the current year.

OPINION OF INDEPENDENT ACCOUNTANTS

PRICE WATERHOUSE & CO.
December 5, 1969

TO THE BOARD OF DIRECTORS
AND SHAREHOLDERS OF
DELTEC INTERNATIONAL LIMITED

In our opinion, the following financial statements present fairly the consolidated financial position of Deltec International Limited and its subsidiary companies at September 30, 1969 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year as restated for the change in the consolidation policy described in Note 1 to consolidated financial statements. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of a predecessor, Deltec Panamerica S.A. and its subsidiaries, included in the consolidated financial statements for the year ended September 30, 1968, were examined by other independent accountants.

PRICE WATERHOUSE & CO.

CONSOLIDATED STATEMENT OF INCOME *(Thousands of Dollars)*

INDUSTRIAL	Year Ended September 30 1969	Year Ended September 30 1968
Revenue:		
Net sales	$360,471	$361,033
Commissions, interest and other income	3,111	2,824
Gain on sale of fixed assets	220	427
	363,802	364,284
Costs, expenses, etc.:		
Cost of goods sold (exclusive of depreciation)	308,388	315,106
Selling and administrative expenses (exclusive of depreciation)	34,519	30,498
Depreciation (Notes 2 and 3)	3,816	3,462
Interest	8,520	7,372
Exchange loss	1,031	838
Minority equity in net income of subsidiaries	104	364
Taxes on income (Note 9):		
Currently payable	2,494	2,885
Provision in lieu of taxes	895	1,058
	359,767	361,583
Income for year before extraordinary credits	4,035	2,701
Extraordinary credits:		
Tax reduction attributable to application of tax loss carryforwards (Note 9)	895	1,058
Six months income to September 30, 1968 of Argentine sugar operations (Note 1)		374
Income for year—Industrial	$ 4,930	$ 4,133

(See notes to consolidated financial statements)

	Year Ended September 30 1969	1968 (Note 1)
FINANCIAL		
Revenue:		
Interest income	$ 5,759	$ 4,059
Profit on sale of securities	5,115	4,569
Commissions, service charges, etc.	1,745	2,086
Dividend income	496	408
	13,115	11,122
Costs, expenses, etc.:		
Selling and administrative expenses	6,966	6,121
Interest	3,922	2,402
Provision for losses on investments	675	500
Exchange loss	163	89
Minority equity in net income of subsidiaries	150	432
Taxes on income (Note 9)	351	250
	12,227	9,794
Income for year—Financial	$ 888	$ 1,328
INDUSTRIAL AND FINANCIAL COMBINED		
Income for year before extraordinary credits	$ 4,923	$ 4,029
Extraordinary credits	895	1,432
Net income for year	$ 5,818	$ 5,461
Earnings per Common and Common Equivalent Share (Note 13):		
Before extraordinary credits	$ .96	$ .82
Extraordinary credits	.17	.28
Net income for year	$1.13	$1.10
Number of shares used in computation (Note 13)	5,163,109	5,098,138

(See notes to consolidated financial statements)

CONSOLIDATED BALANCE SHEET

ASSETS	Industrial	Financial	Consolidated	
	1969			1968
			(Note A)	(Note 1)
	(Thousands of Dollars)			
Cash	$ 13,757	$ 7,364	$ 21,121	$ 22,465
Time deposits receivable		8,413	8,413	
Listed trading securities, at cost (first-in, first-out) which approximates market (Note 10)	134	14,730	14,864	15,635
Notes and other unlisted securities held primarily for sale, at specific identification cost plus accrued interest which is not in excess of realizable value (Note 10)		39,598	39,598	29,884
Accounts receivable:				
Trade, net of reserves of $446,000 and $436,000, respectively	40,520		40,520	34,942
Brokers		3,079	3,079	7,016
Other	5,304	7,134	11,752	9,859
Inventories, at lower of cost (first-in first-out and average) or market:				
Product (Notes 4 and 10)	78,266		78,266	65,931
Supplies	8,982		8,982	7,161
Prepaid expenses	2,473	76	2,549	2,556
Total current assets (Note B)	149,436			
Investments and advances:				
Investments and advances to associated companies	4,534	2,388	6,922	6,507
Other investments, at cost less reserves of $723,000 and $724,000, respectively	3,009	11,515	14,524	10,423
Other loans and advances	825	7,556	8,381	2,618
Due from employees		911	911	710
Property, plant and equipment, net (Notes 2, 3, 4 and 10)	51,278	1,376	52,654	45,136
Excess of cost of investment in subsidiary over book value of net assets acquired (Note 1)				2,798
	$209,082	$104,140	$312,536	$263,641

(*See notes to consolidated financial statements*)

Note A—Because consolidating eliminations are not shown, certain lines will not add across to consolidated amounts.

Note B—In keeping with generally accepted industry practice, the Financial Division assets and liabilities have not been segregated between current and non-current.

On Behalf of the Board:

A. Thomas Taylor
Clarence Dauphinot } Directors

LIABILITIES	Industrial	Financial	Consolidated	
	1969			1968
			(Note A)	(Note 1)
	(*Thousands of Dollars*)			
Bank loans (Note 10)	$ 62,888	$16,136	$ 79,024	$ 62,482
Notes and acceptances payable	5,012	3,012	8,024	5,454
Trade accounts payable	27,693		27,693	21,757
Time deposits payable		36,994	36,994	21,783
Customer credit balances		5,150	5,150	4,540
Payables to brokers		2,610	2,610	4,879
Other payables and accrued liabilities	15,806	4,625	19,745	19,785
Taxes on income (Note 12)	4,055	648	4,703	2,645
Current instalments on long-term debt (Note 4)	4,165	1,605	5,770	1,755
Total current liabilities (Note B)	119,619			
Reserve for possible additional taxes on income (Note 12)	2,325		2,325	2,825
Divisional long-term debt (Note 4)	7,156	2,601	9,757	9,742
Excess of book value of net assets acquired over cost of investment in subsidiary (Note 1)	(2,798)	322	1,379	
Minority shareholders' equity in subsidiaries	2,632	1,873	4,505	11,910
Total divisional liabilities	$128,934	$75,576		
Corporate long-term debt (Note 4)			18,019	13,187
Preference dividends payable (Note 6)			140	
Total liabilities			225,838	182,744
Shareholders' Equity:				
Preference shares $7.50 par value, 743,108 shares authorized and issued (Note 6)			5,573	5,573
Common shares $7.50 par value (Notes 4, 5, and 6) Authorized 10,000,000 shares Issued 4,322,909 shares at September 30, 1968 4,358,847 shares at September 30, 1969			32,691	32,422
Capital in excess of par value (per accompanying statement)			25,492	25,356
Retained earnings (per accompanying statement) (Note 6)			22,942	17,546
Total shareholders' equity			86,698	80,897
Contingencies (Note 12)				
			$312,536	$263,641

(*See notes to consolidated financial statements*)

CONSOLIDATED STATEMENT OF CAPITAL IN EXCESS OF PAR VALUE *(Thousands of Dollars)*

	Year Ended September 30	
	1969	1968
Balance at beginning of year	$25,356	$49,574
Excess of proceeds over par value of shares issued on conversion of subordinated debentures		4,842
Excess of proceeds over par value of shares issued on exercise of stock options	136	
Excess of cost or proceeds over par value of common and preferred stock sold, issued or exchanged by predecessor Deltec		3,252
Transactions related to pooling of interests (Note 1):		
Excess of par value of shares of Deltec International Limited over par value of IPL inc. and Deltec Panamerica S.A. Capital Stock		(30,082)
Cost of retired IPL treasury shares in excess of par value		(1,319)
Assets of IPL withheld from combination		(3,000)
Expenses of reorganization		(408)
Net liabilities of Deltec withheld from combination		2,497
Balance at end of year	$25,492	$25,356

CONSOLIDATED STATEMENT OF RETAINED EARNINGS *(Thousands of Dollars)*

	Year Ended September 30	
	1969	1968
Balance at beginning of year (Note 1)	$17,546	$12,335
Net income for year	5,818	5,461
Dividends on preference shares	(310)	
Dividends on preferred stock of predecessor Deltec	(112)	(250)
Balance at end of year (Note 6)	$22,942	$17,546

(See notes to consolidated financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *Deltec International Limited and Subsidiary Companies*

NOTE 1—PRINCIPLES OF CONSOLIDATION:

On March 11, 1969 Deltec Panamerica S.A. (Deltec) and IPL inc. (IPL) combined in a pooling of interests transaction. As a result of this combination, Deltec International Limited, a company which previously served as a holding company for shares of a Deltec subsidiary, acquired substantially all the assets and business and assumed substantially all the liabilities and obligations of IPL and Deltec and became the successor to the businesses previously conducted by IPL and Deltec. Accordingly, financial information includes the predecessors, IPL and Deltec, on a pooling of interests basis. As of September 30, 1969, all of the Parent Company's preference shares and 977,931 common shares, in total representing 34% of the voting securities, are held by Deltec Panamerica S.A.

The industrial section of the consolidated financial statements is composed of the predecessor IPL and a portion of the predecessor Deltec, consisting of a sugar mill and related properties in Argentina. The financial section of the consolidated financial statements is composed of the predecessor Deltec excluding the sugar operations. The consolidated statement of income for 1968 includes the results of sugar operations for their year ended March 31, 1968. Net income for these mills for the six months ended September 30, 1968 has been included as an extraordinary item for the year 1968. Transactions and accounts between the divisions have not been eliminated from the industrial and financial sections as they are not material; however, such items have been eliminated in the consolidated balance sheet.

The consolidated financial statements include all subsidiaries of the Company except as noted in the following paragraph. The Latin American finance subsidiaries which had previously been carried on the basis of cost plus unremitted earnings of such subsidiaries have been fully consolidated in 1969. The consolidated financial statements for 1968 have been restated (no effect on net income or shareholders' equity) from amounts previously reported to conform to the 1969 presentation. Additionally, minor reclassifications to previously published amounts for 1968 have been made to conform to 1969 presentation.

In 1968 a 70%-owned subsidiary acquired a controlling interest in Brazilian sugar mills. Since it is the Company's intention to resell this interest to investors in Latin America and thereafter not to participate actively in its management, the cost of shares acquired through September 30, 1969, in the amount of $4,959,000 has been classified as a long-term investment.

In February 1969 the remaining portion of Leach's Argentine Estates Limited was acquired (previously 54% owned) for $4,250,000 below equity in the underlying net assets acquired. This amount was applied in consolidation against the existing EXCESS OF COST OF INVESTMENT IN SUBSIDIARY OVER BOOK VALUE OF NET ASSETS ACQUIRED OF $2,798,000. The resulting balance of $1,452,000 is being amortized as increased income over a ten year period which started April 1, 1969.

NOTE 2—PRINCIPLES OF TRANSLATION OF FOREIGN CURRENCIES:

The accounts of the Parent Company and its Bahamian subsidiaries and branches are kept in U.S. Dollars. The accounts of other subsidiaries located outside the United States have been translated to U.S. Dollars on the following bases:

Fixed assets and depreciation—at historical exchange rates.

All other net assets—at quoted year end exchange rates or other applicable rates.

Individual items of income and expense (exclusive of depreciation)—at month-end exchange rates.

NOTE 3—PROPERTIES AND POLICIES WITH RESPECT TO DEPRECIATION:

Properties (in thousands of dollars) at September 30, 1969 consist of the following:

Industrial:	
Buildings	$25,528
Machinery and equipment	53,754
Accumulated depreciation	(33,422)
	45,860
Land	5,418
	$51,278
Financial:	
Buildings	$ 451
Equipment	1,015
Accumulated depreciation	(570)
	896
Land	480
	$ 1,376

The Company depreciates properties for financial statement and income tax purposes primarily on the straight line method at various rates which on a consolidated basis average approximately 3% for buildings and 5% for machinery and equipment.

NOTE 4—LONG-TERM DEBT:

Long-term debt at September 30, 1969 (in thousands of dollars) was as follows:

	Excluding Current Instal-ments	Current Instal-ments
Industrial subsidiaries:		
U.S. Dollar obligations—		
6½% promissory note, payable to Export-Import Bank of Washington due in semi-annual instalments of $416,000 through June 1971 (Guaranteed by Parent Company)	$ 833	$ 833
12% notes payable by an Argentine subsidiary to various institutional investors, due in monthly instalments of $125,000 to $250,000 from January 1970 through February 1972	3,375	1,625
Foreign currency obligations (dollar equivalents at appropriate exchange rates)—		
15% Debentures payable in annual instalments of $253,000 in 1971 and 1972 and $337,000 in 1973	843	
Long-term capital contribution in a Brazilian joint venture which stipulates three years notice for payment. No such notice has been received	618	
Interest free obligation payable in monthly instalments of $71,000 through June 1971	641	855
Various	846	852
	7,156	4,165
Financial subsidiaries:		
U.S. Dollar obligations—		
7½% Notes due in various instalments from May 1970 to August 1971	2,601	1,301
Parent Company:		
U.S. Dollar obligations—		
Note payable to banking group at 1% above the higher of the prevailing Euro-dollar interbank rate or the prevailing New York prime bank rate due September 18, 1970	15,000	
7½% notes payable, due in three equal annual instalments from April 1970	609	304
Interest free note payable to IPL (Note 12). Expected date of repayment to be date of final dissolution of IPL which is presently indeterminable	2,410	
	18,019	304
	$27,776	$5,770

Payments required on long term debt during the fiscal years 1971 to 1974 approximate $5,955,000 in 1971, $2,912,000 in 1972, $398,000 in 1973 and $421,000 in 1974. These payments exclude amounts which might be required on a capital contribution of a Brazilian joint venture and the note payable to IPL as these obligations have no definite maturity at this date.

The Company's $15,000,000 bridge financing is due on September 18, 1970. Since it is management's intention to refinance the full loan at or before the due date, it has been classified as long-term in the financial statements.

Fixed assets having a net book value of $5,821,000 at September 30, 1969 have been pledged by an Argentine subsidiary as collateral for the 12% notes (including interest). In addition, that subsidiary has agreed not to pledge nonperishable inventory in the amount of 75% of the outstanding indebtedness of the notes (plus interest) as collateral for other indebtedness. At September 30, 1969, inventories aggregating $4,416,000 were required to be unencumbered under this provision of the loan agreement. Two other Argentine industrial subsidiaries have guaranteed payment of the notes. Warrants to purchase 35,000 shares of the Parent Company's stock at $10 per share have been issued in connection with these notes and are outstanding at September 30, 1969. 35,000 shares of authorized but previously unissued common stock are reserved for exercise of these warrants. The warrants expire November 14, 1972.

NOTE 5—STOCK OPTIONS:

The Company has assumed the obligations (on a share for share basis) for the predecessor IPL stock option grants and at September 30, 1969 had 169,167 shares of authorized but previously unissued common shares reserved for exercise of such options. No further grants will be made under any predecessor IPL plans.

The changes during 1969 in the options outstanding were as follows:

	Options Outstanding	Option Price Per Share	Option Price Total
September 30, 1968	203,807	$ 9.87 to $17.37	$2,366,058
Granted	5,000	18.375	91,875
Exercised	(35,938)	9.87 to 14.87	(405,105)
Cancelled	(3,702)	10.375 to 12.875	(45,016)
September 30, 1969	169,167	$10.375 to $18.375	$2,007,812

At September 30, 1969 options for 152,834 shares were exercisable. The options granted expire at various dates to December 18, 1973.

NOTE 6—RIGHTS OF PREFERENCE SHARES AND DIVIDEND RESTRICTIONS AND DECLARATIONS:

The preference shares are entitled to cumulative cash dividends of $.75 per annum. Cash dividends may be declared on common shares only when all past and current preference dividends are paid or set aside for payment. If

dividends are declared on common shares in any year in excess of $.75 per share, the preference shares are entitled to extra dividends at a rate per share equal to the excess.

Preference shares are convertible on a share for share basis at any time into common shares. The holder of all of the preference shares (Deltec Panamerica S.A.) has agreed that all shares not voluntarily converted by April 1, 1974 will be converted at that date. 743,108 shares of authorized but unissued common stock are reserved for conversion.

The preference shares have other provisions including the right to vote on all matters submitted to stockholders, on the basis of one vote per preference share, and rights in liquidation to receive, before any distribution to common shares, all accrued but unpaid preference dividends and thereafter an amount equal on a per share basis to the common share distribution.

Preference dividends of $139,333 for the quarter ended December 31, 1969 were declared by the Company's Directors at their September 26, 1969 meeting. This dividend will be reflected in the accounts in the quarter to which it applies.

NOTE 7—PENSION PLANS:

The Company and certain of the subsidiaries have pension plans which cover approximately 4% of the employees. Substantially all of the remaining employees of the Company (primarily in Argentina and Brazil) are covered only by various government social security plans for which the subsidiaries are taxed.

The amounts charged to income for the companies' plans of $252,000 and $257,000 in the years ended September 30, 1969 and 1968, respectively, include amortization of prior service cost over the remaining 16 years of an original 35 year funding period for the only plan in which such cost is not fully funded. The Company's policy is to fund accrued pension costs.

NOTE 8—MANAGEMENT INCENTIVE PLAN:

During the year the Company's Directors adopted a Management Incentive Plan retroactive to October 1, 1968. The Plan, which requires shareholder approval and is scheduled for vote at the Annual Meeting to be held in January 1970, provides for distribution, in the aggregate, of up to 10% of consolidated net income remaining after preference share dividend requirements. The Company has provided $585,000 in 1969 for distribution under the Plan.

NOTE 9—TAXES ON INCOME:

Income taxes included in the Consolidated Statement of Income include taxes currently payable and provision in lieu of taxes for tax loss carryforwards used which are offset by extraordinary credits. Normal U.S.A. relationships between income tax and pre-tax income do not exist primarily because losses of subsidiaries cannot be offset against profits of other subsidiaries and different tax rates exist in the various countries in which the Company operates.

As of September 30, 1969, loss carryforwards available as offsets against future taxable income of the Company's subsidiaries exist in various countries and expire in various years. However, these carryforwards exist in local currencies and the dollar amounts below (translated at prevailing rates as of September 30, 1969) are subject to adjustment in the event of further foreign currency devaluations. The following table summarizes (in thousands of dollars) the Company's position at September 30, 1969:

Country	Expiring in 1970	1971	1972	1973	1974	1975 and Thereafter
Argentina......	$	$102	$	$361	$3,132	$22,029
United Kingdom.						1,461
Other...........	1,533	581	381	29	30	

NOTE 10—BANK LOAN COLLATERAL:

As of September 30, 1969 the following assets in the amounts indicated (in thousands of dollars) were pledged as collateral for bank loans:

Financial subsidiaries:	
Notes and other unlisted securities.........	$12,171
Listed trading securities....................	1,921
Industrial subsidiaries:	
Merchandise inventories..................	14,725
Property, plant and equipment, net.........	1,188

Reference is made to Note 4 for pledged assets under long-term debt agreement.

NOTE 11—GEOGRAPHICAL LOCATION OF ASSETS:

The following table summarizes (in thousands of dollars) at September 30, 1969 the geographical location of the combined net assets of the industrial subsidiaries located outside the United States:

	Argentina	Brazil	Australia and New Zealand	United Kingdom and other	Combined
Current assets.....	$45,003	$29,645	$11,735	$36,648	$123,031
Current liabilities..	48,215	27,087	9,981	28,378	113,661
Net current assets..	(3,212)	2,558	1,754	8,270	9,370
Investments and other assets.....	512	3,226	1,223	1,361	6,322
Fixed assets less depreciation.....	29,695	9,480	10,587	1,480	51,242
Excess of cost of investment in subsidiary over book value of net assets acquired..			2,798		2,798
	26,995	15,264	16,362	11,111	69,732
Long-term debt:					
To Parent Company	9,307		8,206		17,513
To others.......	5,483	1,297	310	66	7,156
Minority equity....	564	1,594	474		2,632
Net assets........	$11,641	$12,373	$ 7,372	$11,045	$ 42,431

All intercompany accounts between foreign units have been eliminated in this statement.

The combined sales and net income (in thousands of dollars) for these foreign industrial units are summarized as follows:

	Sales	Net Income
Years ended September 30:		
1968	$328,711	$1,328
1969	344,463	4,458

The Financial Division primarily conducts its operations in U. S. dollars or currencies which are freely convertible into U. S. dollars. In the event that investments are made in countries where the currencies of such countries are generally not freely convertible into U. S. dollars, authorization is generally obtained in advance, to convert such restricted currencies into freely convertible currencies at the time of realization of the investment. Furthermore the business of the Financial Division is such that there can be major variations in the geographical location of assets within a short period of time.

NOTE 12—CONTINGENCIES:

United States Federal income tax returns of the predecessor IPL for the years 1958 through 1961 have been examined by the Internal Revenue Service. Tentative agreement has been reached with the Service for the years 1958 and 1959 at amounts which are not in excess of existing reserves. The principal issue involved in the examination of the 1960 and 1961 returns is the amount of foreign tax credits claimed by the Company. The Company, based on present available information, believes that adequate provision has been made for any additional taxes and interest that may be finally assessed for all open years as a result of the issues raised in this examination.

In connection with the combination, $3,000,000 was withheld by the predecessor IPL to cover its estimated expenses, including United States Federal income taxes, arising out of the transaction. Amounts withheld, but not required by IPL to pay expenses, will be returned to the Company. Such amounts are presently indeterminable.

NOTE 13—EARNINGS PER SHARE:

Earnings per common and common equivalent share were determined for the two years ended September 30, 1969 based on the weighted average number of predecessor IPL common shares outstanding during the respective years plus the total of the following:

(a) Issuance of 977,934 shares (which includes the 100,000 shares already held by predecessor Deltec) by the Company in connection with the combination.

(b) Issuance of 743,108 $.75 preference shares in connection with the combination. These shares are convertible on a one-for-one basis and are considered to be common equivalent shares for both years.

(c) For the year ended September 30, 1968, issuance of 551,030 shares upon conversion during 1968 of 5¾% Convertible Subordinated Debentures of predecessor which are considered to be equivalent common shares from the time of their issuance (prior to 1968). Interest charges applicable to the Debentures, net of income taxes, were added back to net income before extraordinary items.

(d) Common shares issuable on the exercise of warrants and stock options of predecessor (assumed by the Company) when the market price of the common shares exceeded the exercise price of the warrants or options, considered separately. This increase in the number of common shares is reduced by the number of common shares which could have been purchased, at average market prices during the period, with the proceeds from the exercise thereof. The use of year-end market price in this calculation would not have had a dilutive effect.

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Executive Vice President, Deltec International Limited

JOSEPH G. CACIOPPO, Nassau
Executive Vice President of the Company and Vice President, Deltec International Limited

GODFREY W. HIGGS, C.B.E., Nassau
Partner, Higgs & Johnson

J. P. JOICE, Nassau
Vice President and Controller, Deltec International Limited

A. J. MERSON, Nassau
President of the Company and Executive Vice President, Deltec International Limited

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Presidente de Deltec International Limited

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Director de Selsa S.A.

RAFORD W. HERBERT
Presidente de Cia. Swift de la Plata S.A. Frigorifica

ENRIQUE HOLMBERG
Director General de Ingenio La Esperanza S.A.

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AUGUSTO TRAJANO DE AZEVEDO ANTUNES
Diretor Presidente Mineracoes Brasileiras Reunidas

DAVID BEATY III
Diretor, Vice Presidente
Executivo Deltec International Limited

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Diretor Executivo Companhia City Paulista de Melhoramentos

ANTONIO GALLOTTI
Diretor Presidente Companhias Light do Brasil

PAULO FONTAINHA GEYER
Diretor Presidente Refinaria e Exploracão de Petroleo "Uniao" S. A.

JOSE ADOLFO DA SILVA GORDO
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